



# The Roman Catholic Diocese of Rockville Centre

## Fraud Policy and Fraud Response Plan

### General Statement

The revised Code of Canon Law, effective November 27, 1983, addresses the responsibilities of Bishops and their delegates as administrators of the Church's temporal goods. Ultimately, each Bishop has the duty to ensure that no abuses exist in the administration of Church goods within this. The Fraud Policy and Fraud Response Plan (the "Plan") is promulgated to support and assist the Bishop in this canonical responsibility.

The Roman Catholic Diocese of Rockville Centre, New York (the "Diocese") is committed to the highest possible standards of accountability in all its affairs. It is determined to develop a culture of the Gospel, one of honest and accountable stewardship with opposition to fraud and embezzlement. An environment that allows any embezzlement or fraud is not acceptable, and all criminal, civil, and canon laws will be strictly enforced and obeyed.

### Objective

In line with the commitment to the highest possible standards of accountability in all of the Diocese's affairs, the Plan set forth principles to which the Diocese is committed in relation to the protection of Church goods and to the investigation of allegations related to fraud and embezzlement. The Plan outlines steps that should be taken in the event of suspicion of fraud or discovery of actual fraud.

The Plan applies to clergy, religious, lay employees, volunteers, parishioners, or any person suspected of fraud or embezzlement.

In order that Plan objectives can be achieved, all clergy, religious, lay leaders, employees, parishioners, and volunteers should come forward on a timely basis and, in accordance with the whistleblower policy of the Diocese (which is made a part of this Plan), report instances of actual or suspected fraud and embezzlement. Reports will be kept as confidential as circumstances allow.

### Types of Fraud

**Theft:** The diversion of cash, checks or other assets before they are recorded by accounting systems of the entity. It can take the form of removing cash from the collections basket or mail, taking cash or goods donated to the Diocese, parish or school or diverting checks to another bank account.

**Lapping:** The postponement of entries for the collection of receivables to conceal a cash shortage. The fraud is perpetrated by a person who records cash in the cash receipts journal and the account receivable journal. The person defers the recording of the cash receipts from one source and covers the shortage with receipts from another source.

**Forgery:** When a person passes a false or worthless instrument, such as a check, with the intent to defraud or injure the recipient.

**Accounts Payable:** When a person creates payments to false vendors or creates fake addresses to which payments are sent. Invoices can also be overpaid, with the refunds pocketed by the person.

**Payroll:** Creating false employees and issuing paychecks to them which are diverted into a bank account. This can also include not recording vacation days that have been taken.

**Supplies or Inventory Embezzlement:** When a person purchases with Diocese/parish/school funds, supplies or equipment for personal use or supplies in inventory are stolen for personal use.

**Theft of Time:** unauthorized lateness and early departures from work or using work from home options illicitly, falsifying timecards, etc.

**Other Types:** These include inflating personal expense reimbursement amounts, using sales tax exemption for personal purchases, receiving kickbacks, stealing stamps, falsifying timecards, misappropriating petty cash, or other theft.

### **Fraud Response Plan**

The Bishop, Vicar General, Corporate Chancellor, and the General Counsel/Chief Operations Officer, in consultation, when necessary, with the Diocesan Audit Committee and any other appropriate consultants, will make the determination of how the Diocese will handle instances of fraud, embezzlement and other acts of dishonesty, including, without limitations, determinations regarding when criminal and civil authorities, and insurers, are to be notified. All civil, criminal, and canon laws will be strictly adhered to.

As a general matter, the following guidelines will be followed:

1. Once sufficient facts have been developed to determine that a fraudulent or dishonest activity has likely occurred, the General Counsel/COO or his or her designees will contact appropriate law enforcement authorities. The Director of Facilities and Risk Management will notify appropriate insurers.
2. In all such instances, the suspected offender will be removed from the situation in which the fraud or dishonesty occurred. Administrative leave may be invoked on a temporary basis during the investigation.
3. As a matter of justice and vigilance in preventing the creation of an environment that allows for fraud, restitution will be sought in all cases, regardless of the amount of the embezzlement, theft, or fraud.
4. The Diocese sincerely appreciates reports that are made and will not retaliate or take action against any person who makes a report in good faith.

### **Course of Action in the Event of the Discovery of Suspected or Actual Fraudulent Acts**

In the event that actual or suspected fraudulent or dishonest acts are discovered at a parish, school or other entity with the Diocese, the following course of action should be followed:

1. All suspected or documented fraud, embezzlement or other act of dishonesty (collectively, "dishonest acts") should be immediately reported directly in writing to the General Counsel/COO or through the Diocese's Ethics Point portal at [www.drvc.org/ethicspoint/](http://www.drvc.org/ethicspoint/).<sup>i</sup> All complaints and reports

of suspected embezzlement or fraud will be kept as confidential as circumstances allow. Timely reporting by the Diocese of the suspected activity to management, law enforcement and government agencies may be required. The complainant will be notified of the action taken by the Diocese within a timely manner, unless the complaint was made anonymously.

2. The General Counsel/COO or his designee will coordinate closely with the defrauded entity, as necessary, during the investigation, until final resolution. It may be necessary for the defrauded entity to retain the services of a forensic auditor.
3. The person suspected of the dishonest acts should not be approached or apprehended. No personnel action shall be taken without prior consultation with the General Counsel/COO or his designee.
4. The person reporting the suspected activity to the Diocese shall not communicate with any other person concerning the suspected dishonest acts until the General Counsel/COO or his designee notifies him or her. All information regarding the incident should be kept confidential by the complainant, unless the complainant is contacted by law enforcement, in which case the complainant should cooperate fully. Further, matters involving suspected activity should not be discussed with outside attorneys or media. Inquiries from outside attorneys or the media should be handled in consultation with the General Counsel and the Director of Communications.
5. No person at the defrauded entity has the authority to release the suspected person from liability or agree to terms of restitution. There should be no attempt to contact law enforcement agencies or a lawyer at the parish level, or to deal with the suspected embezzler at the parish level. The General Counsel/COO or his designee will coordinate contact with appropriate law enforcement agencies and forensic auditors, if necessary.
6. The General Counsel/COO or his designee will consult with proper Diocesan officials and consultants to develop an appropriate plan of action in light of canonical, civil, and criminal statutes, the nature of allegations, and other significant circumstances.
7. In order to protect the innocent and secure the evidence, no internal control procedures or other operating controls should be changed, and no personnel action be taken, until requested or instructed by the General Counsel/COO or his designee, law enforcement or forensic auditors.
8. The Director of Facilities and Risk Management shall notify the appropriate Insurers.

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<sup>i</sup> In all instances, a parish or school should work in conjunction with the General Counsel/COO or his designee and the Diocese to resolve matters of fraud or other dishonesty. The parish or school should not conduct its own investigation. This could lead to erroneous information being obtained, improper allegations being leveled, or the inability of the Diocese to properly pursue the matter in line with canon, civil, and criminal law.